

# 1977 Annual Report

MAPLEX

Management & Holdings Limited





Maplex Management & Holdings Limited  
CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)  
for the six months ended June 30, 1977

## INCOME

1977

Premiums earned, net  
Income from investments  
Gain on sale of securities  
Other income

\$3,367,240  
327,603  
343,989  
26,930  
4,065,762

## EXPENSES

Claims  
Commissions  
Salaries  
Other

2,024,457  
676,263  
246,888  
475,685  
3,423,293

Earnings before undernoted items

642,469

Provision for increase (decline in market value  
of marketable securities

8,493  
650,962

Provision for income taxes

70,000  
580,962

Minority interests share of earnings

5,000

Net Earnings

\$ 575,962

Earnings per share

1.31¢

1976

\$3,054,349  
224,360  
97,845  
17,455

3,394,009

2,044,058  
520,639  
183,275  
335,643  
3,083,615

310,394

(22,146)

288,248

60,000

228,248

5,000

\$ 223,248

50.8¢

MAPLEX

MANAGEMENT &  
HOLDINGS  
LIMITED



6-month  
report to  
shareholders

June 30, 1977



TO THE SHAREHOLDERS

August 30, 1977

Maplex Management & Holdings Limited

CONSOLIDATED STATEMENT OF  
CHANGES IN FINANCIAL POSITION  
(UNAUDITED)

6 months ended June 30,  
1977 1976

Consolidated earnings of \$576,000 (\$223,248) were a record for the first six months of 1977. Revenues increased 20% to \$4,065,762 (\$3,394,009) producing consolidated net earnings after taxes of \$1.31 (50.8¢) per share on the same number of shares outstanding. The marked increase in consolidated earnings arose primarily from very substantial gains realized on the sale of investments in Abstainers'. Maplex, Trans-Canada Investment Corporation Limited and McCaul-McGowan Insurance Agencies Limited all contributed to these results.

Abstainers' Insurance Company maintained a 30% increase in premium income compared to 37% for the first six months of 1976. The number of property policies issued increased by 38% compared to a 13% growth in the number of automobile policies.

The new \$1.2 million issue of 10% First Preferred Shares Series A has been successfully placed with private and institutional investors in response to Abstainers' share exchange and public subscription offers, bringing new capital to help finance the company's rapid growth.

Net proceeds from the sale of the issue were added to the investment portfolio and have been invested to generate income to help offset the cost of dividend payments on the new preferred issue.

The investment portfolio has been increased from \$8.5 million at year end to over \$11 million at mid-year as a continuing source of investment income and future earnings for Abstainers' Insurance Company.

*S. R. Bernardo*

S. R. Bernardo  
President.

Funds derived from		
Net earnings	\$ 575,962	\$ 223,248
Funds applied to*		
Dividends paid	28,547	26,351
Increase in net assets for the period	\$547,415	\$ 196,897

\* For the purpose of this statement funds have been defined as net assets of the company.



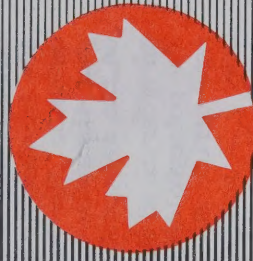
Maplex Management &amp; Holdings Limited

## CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

for the six months ended June 30, 1976

	1976	1975
<b>INCOME</b>		
Premiums earned, net	\$3,054,349	\$2,098,971
Income from investments	224,360	204,187
Gain on sale of securities	97,845	80,094
Other income	17,455	32,454
	<u>✓ 3,394,009</u>	<u>✓ 2,415,706</u>
<b>EXPENSES</b>		
Claims	2,044,058	1,298,379
Commissions	520,639	386,346
Salaries	183,275	153,011
Other	335,643	243,762
	<u>3,083,615</u>	<u>2,081,498</u>
Earnings before undernoted items	310,394	334,208
Provision for increase (decline) in market value of marketable securities	(22,146)	15,954
	<u>288,248</u>	<u>350,162</u>
Provision for income taxes	60,000	122,000
	<u>228,248</u>	<u>228,162</u>
Minority interests share of earnings	5,000	29,673
Earnings before extraordinary items	<u>✓ 223,248</u>	<u>✓ 198,489</u>
Extraordinary items		
Gain on sale of management rights net of income taxes of \$20,625		✓ 129,375
Reduction in income tax provision due to losses carried forward from prior years		✓ 25,608
		<u>154,983</u>
Less minority interests		<u>49,285</u>
		<u>105,698</u>
Net Earnings	\$ 223,248	\$ 304,187
Earnings per share		
Before extraordinary items	✓ 50.8¢	✓ 49.3¢
After extraordinary items	50.8¢	75.6¢

MAPLEX MANAGEMENT & HOLDINGS LIMITED



6-month  
report to  
shareholders

June 30, 1976



TO THE SHAREHOLDERS

August 20, 1976

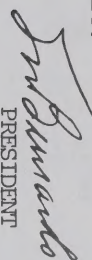
Consolidated earnings for the first 6 months of 1976 show a 12% increase on a 40% gain in revenues. Revenues of \$3,394,009 (\$2,415,706) produced consolidated earnings after taxes of \$223,248 (\$198,489) or 50.8¢ (49.3¢) per share on a larger number of shares outstanding. Last year extraordinary items increased final earnings by \$105,698 or 26.3¢ per share to \$304,187 or 75.6¢ per share. There were no such extraordinary items this year.

Abstainers' Insurance Company recorded a 37% rate of growth in premium income for the period compared with 35% last year and may exceed this rate in the second half. In line with corporate objectives, the number of property policies issued increased by 50% in the period compared with a 11% increase in automobile policies written. Of a \$1,000,000 increase in net premiums written in the first half, nearly \$900,000 was added to investments bringing the portfolio total to \$7,250,000 as a source of future investment income. A nominal underwriting profit position was maintained in spite of a 50% increase in premium tax introduced in the Province of Ontario. The Treasury now collects \$3.00 on every \$100 of your insurance premium dollar amounting to approximately \$6.00 on the average \$200 policy.

In order to strengthen its staff and provide better service to its policyholders and agents from one central location, the head office was moved from Simcoe to Burlington, Ontario on June 1 of this year. The services of all management personnel have been retained and the large and experienced urban labour pool available locally has supplied any other vacancies created with a minimum of business interruption.

Both Trans-Canada Investment Corporation Limited and the William E. McCaul Insurance Agencies Limited made a positive contribution to consolidated earnings.

Your Board of Directors was strengthened during the period by the return of Mr. J.D. McNie following a term of office as a Cabinet Minister in the Ontario Legislature.

  
PRESIDENT

Naplex Management & Holdings Limited

CONSOLIDATED STATEMENT OF  
CHANGES IN FINANCIAL POSITION  
(UNAUDITED)

	6 months ended June 30, 1976	1975
Funds derived from		
Net earnings	\$223,248	\$304,187
Shares issued	223,248	26,428
Funds applied to*		
Dividends paid	26,351	25,992
Increase in net assets for the period	<u>\$196,897</u>	<u>\$304,623</u>

\*For the purpose of this statement funds have been defined as net assets of the company.

20TH ANNIVERSARY - ABSTAINERS' INSURANCE COMPANY

From a modest beginning in 1956 when Abstainers' Insurance Company was incorporated as a private company with capital of \$100,000, the company will shortly celebrate its 20th anniversary on October 1 of this year as a public company with shareholders' equity of over \$2,500,000. In its first full year of operations from a small office in Simcoe, Ontario, \$50,000 of automobile premiums were written and no profits were earned. Now, 20 years later, with the original manager as President and its founding Board of Directors intact, the company expects to write over \$7,000,000 of premiums and earn approximately \$400,000 in profits after tax in 1976, assuming a continuation of a break-even position in underwriting. That a success story such as this has been written in a period of adversity for the industry adds substance to the premise on which the company was founded.

# OFFICERS & DIRECTORS

Maplex Management & Holdings Limited

## Officers:

S. R. BERNARDO, President  
D. M. ALLOWAY, Vice-President  
R. S. MILLS, Q.C., Secretary  
C. A. BLAIR, Treas. & Chief Financial Officer

## Directors:

D. M. ALLOWAY,  
Toronto  
S. R. BERNARDO,  
Weston  
C. A. BLAIR,  
Burlington  
S. M. FLETCHER,  
Hamilton  
R. G. GROOM, Q.C.,  
Tillsonburg  
J. D. MCNIE,  
Hamilton  
R. S. MILLS, Q.C.,  
Toronto  
G. C. NOBLE,  
Toronto

## Head Office:

60 St. Clair Avenue East,  
TORONTO, Ontario. M4T 1N5

## Transfer Agent:

Canada Permanent Trust Company,  
20 Eglinton Avenue West,  
TORONTO, Ontario. M4R 2E2

## Listed:

The Toronto Stock Exchange,  
Symbol: MMH

## Subsidiaries:

Abstainers' Insurance Company,  
3228 South Service Road,  
BURLINGTON, Ontario. L7N 3H8

Trans-Canada Investment Corp. Ltd.,  
60 St. Clair Avenue East,  
TORONTO, Ontario. M4T 1N5

## Annual Meeting:

2:00 p.m., Saturday, April 1, 1978  
3228 South Service Road  
BURLINGTON, Ontario. L7N 3H8

## 6 Year Financial Highlights

	1977	1976	1975	1974	1973	1972
<b>Operating Results</b>						
Total Assets (000)	\$13,129	\$9,414	\$7,336	\$6,035	\$5,545	\$5,121
Gross Incomes (000)	8,935	7,188	5,315	4,113	3,501	3,321
Net Earnings (000)						
Before extraordinary Item	846	351	367	189	183	137
After extraordinary Item	846	351	419	189	261	179
<b>Per Share Statistics</b>						
Shares Outstanding at Year-end	439,187	439,187	439,187	405,368	405,368	362,620
Earnings						
Before extraordinary Item	1.93	0.80	0.87	0.47	0.48	0.68
After extraordinary Item	1.93	0.80	0.99	0.47	0.68	0.88
Dividends Paid	0.14	0.125	0.12	0.11	0.10	0.09
Net Worth at Book Value	7.90	6.11	5.44	4.92	4.56	4.05



# PRESIDENT'S REPORT

to the Shareholders of Maplex Management & Holdings Limited

It is a pleasure to present to you the results of your company for the year 1977. As can be seen from the enclosed financial statements, records were established in all areas as the company expanded to meet the needs of a larger number of Canadians.

Abstainers' Insurance Company issued policies to the value of \$8,780,000, a significant increase in view of the slower economy in which the Company operated in 1977. After the payment of \$5,090,000 in claim benefits to insureds, the company earned a small underwriting profit of \$58,000 after operating expenses, which, together with investment income, was added to the surplus for the protection of policyholders after the payment of preferred and common stock dividends.

Your wholly-owned subsidiary, Trans-Canada Investment Corporation Limited, one of Canada's oldest investment management concerns established in 1933, is registered as Investment Counsel in the Province of Ontario and has provided investment management services to the Maplex group of companies for the past three years. It is noteworthy that during this period the market value of investments owned by Abstainers' which were \$1,050,000 below their book value cost three years ago now exceed book value by almost \$500,000 and, in addition, net capital gains have been realized in each year with \$204,000 being reported for 1977. Net after tax profit attributable to investment income increased from \$216,000 to \$789,000 in the same three-year period.

After the end of the year, McCaul-McGowan

Insurance Agencies Limited acquired the business of another metro Toronto agency with whom we have been associated for some years. Premiums now total in excess of 1.5 million with an increased number of policyholders in the metro Toronto area.

Several important changes have been instituted within your companies. A completely new corporation has been incorporated in Ontario to write a segment of the insurance market not covered through Abstainers'. This new company named Maplex General Insurance Company will concentrate on the homeowners and fire insurance markets to non-smokers at preferred rates. We believe there is a substantial interest in this kind of policy, and our staff is well experienced in serving this type of market. Fire Department statistics indicate that roughly 30% of all fires and 50% of fatalities in private homes involve careless smoking, indicating a preferential rate of premium for this class of policyholder.

The officers of the new company are:

Mr. S. R. Bernardo, Chairman of the Board

Mr. C. A. Blair, President

Mr. M. E. Schultz, Secretary-Treasurer

Mr. S. Young, Manager

An important addition to the staff has been made with the appointment of Mr. Melvin Schultz as a Vice-President of Abstainers' Insurance Company. Mr. Schultz, who leaves a distinguished twenty-year career with the Russell T. Kelley Company in Hamilton, where he has been employed as comptroller, for this appointment, has been a tireless supporter of the principles upon which your



Picture of original Board and Officers taken in 1957; left to right, clockwise: Dr. R. B. Hare (deceased), R. S. Mills, H. Discher, A. Waters, R. G. Groom, S. R. Bernardo, J. D. McNie, J. Webb, S. M. Fletcher, P. L. Wilson, C. A. Blair.



company was founded and has been well known by both the management of Abstainers' and the community it serves. It gives me a great deal of pleasure to welcome Mr. Schultz to the Maplex group of companies where his training and experience in administration, finance and personnel will greatly strengthen our management team to shoulder the administrative responsibilities for the challenges of the 1980's.

Three founding directors of Abstainers' Insurance Company who shared in the concept and realization of the Abstainers' Insurance Company have reached an age when they can no longer be expected to attend all board meetings and contribute their knowledge and skills as they have done for the past twenty-two years. The position of Honorary Founding Director has been created, and the following members have been appointed: J. Howard Discher

Aleck M. Waters

Farmer L. Wilson

Their interest has not diminished in any way, and they will be available for consultation at any time the company may call on them. We pay tribute to their long service, and express our appreciation for their continuing interest.

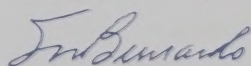
After 17 years as Director of Abstainers', 6 years of which were served as President and 3 years as Chairman of the Board, I have decided to retire as Chairman in order to reduce my considerable corporate responsibilities. I will remain as a director of the company. Mr. John D. McNie, one of the founding directors of both Maplex and Abstainers' Insurance Company, who returned to the Board of both companies following several years of public service as a Member of Parliament and as a Cabinet Minister in the Government of Ontario, has been appointed Acting Chairman.

Anti-Inflation Board requirements for minimum underwriting profits and, in our case, a mandatory underwriting loss continue to make it impossible for fire and casualty companies to recover substantial underwriting losses of previous years, and the opportunity to do so many have disappeared by the time it becomes permissible. This could pose serious problems for the industry in meeting a further period of substantial underwriting losses which could very easily follow this period of enforced premium reductions. We might point out that the 3% inventory credit available to manufacturing

companies is not available to general insurance companies to offset the inflationary effect of increased costs on claims settlements, but we might compliment the Federal Government for their recognition of the dreadful losses sustained by investors as a result of inflation through the introduction of tax reduction on dividend income received from Canadian tax-paying corporations and increased registered retirement savings plan deductions from taxable income contained in the March '77 budget.

During the year under review, Abstainers' took advantage of the favourable investment climate existing for preferred shares in Canada to strengthen the company's financial position through the sale of \$1.2 million of 10% First Preferred Shares Series A. The issue was successfully placed with private and institutional investors in response to Abstainers' share exchange and public subscription offers, bringing new capital to help finance the company's continuing growth. That this financing was completed by prospectus with our own staff without involvement of an investment dealer, is a measure of the high regard in which your company is regarded within the financial community. The holders of approximately 75% of the original 5% Preference shares of \$100 par value each took advantage of the offer to substantially improve their position, and exchange their shares on a 10-for-1 basis for the new 10% issue of par value \$10 each. The effect of this financing can be seen in the capital stock portion of the balance sheet. Net proceeds from the sale of the issue were added to the investment portfolio and have been invested to generate income to help offset the cost of dividend payments on the new preferred issue. Dividends paid in 1977 were increased to 14¢ from 12 1/2¢ tax deferred in 1976, with the payment of a 6 1/2¢ tax deferred dividend on April 15, 1977 and a 7 1/2¢ ordinary dividend payable November 15, 1977.

For 1978, we view the prospects for your company as a challenge to introduce and establish the new Maplex General Insurance Company in the marketplace as a companion company for Abstainers' Insurance Company, and to maintain or improve upon the excellent results reported for the year just ended, for which we compliment the generous personal contributions of the loyal staff of the Maplex group of companies.



S. R. Bernardo,  
President.

# CONSOLIDATED BALANCE SHEET

Maplex Management & Holdings Limited

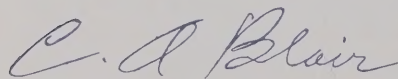
(Incorporated under the laws of Canada)

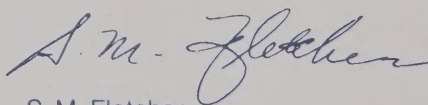
As at December 31, 1977

	1977	1976
<b>Assets</b>		
Cash	\$ 208,724	\$ 132,301
Trust funds	47,000	37,000
Accounts receivable	123,923	107,149
Accrued interest on investments	37,000	48,303
Marketable securities, at lower of cost and market (quoted market value 1977, \$223,014; 1976, \$249,438)	223,014	249,438
Investments (note 2)	12,300,934	8,652,121
Fixed assets, at cost		
Land	\$ 15,000	
Building	60,000	
Furniture and equipment	9,468	
Automobiles	35,685	
Leasehold improvements	6,230	
	126,383	
Less accumulated depreciation	35,475	90,908
Goodwill, at cost	98,459	98,907
	<u>\$13,129,962</u>	<u>\$9,414,306</u>
<b>Liabilities</b>		
Bank indebtedness (note 3)	\$ 25,000	\$ 204,435
Accounts payable and accrued liabilities	432,123	257,203
Provision for unsettled claims and adjusting costs	4,534,182	3,040,605
Unearned premiums at 85%	3,256,831	2,898,758
Mortgages and note payable (note 4)	98,000	110,000
Income taxes payable	57,000	6,758
	8,403,136	6,517,759
Minority interests	1,257,811	210,266
	<u>9,660,947</u>	<u>6,728,025</u>
<b>Shareholders' equity</b>		
Capital stock		
Authorized		
2,000,000 Common shares of no par value		
Issued		
439,187 Shares	1,584,746	1,584,746
Retained earnings	1,884,269	1,101,535
	<u>3,469,015</u>	<u>2,686,281</u>
	<u>\$13,129,962</u>	<u>\$9,414,306</u>

Subsequent event (note 6)

Approved by the Board

 Director  
C. A. Blair

 Director  
S. M. Fletcher



# CONSOLIDATED STATEMENT OF INCOME

Maplex Management & Holdings Limited

Year Ended December 31, 1977

	1977	1976
<b>Income</b>		
Premiums earned - net	\$8,047,262	\$6,696,783
Income from investments	622,084	450,912
Gain on sale of securities	245,315	21,674
Management fees and commissions	8,992	10,228
Other	11,452	9,174
	<u>8,935,105</u>	<u>7,188,771</u>
<b>Expense</b>		
Claims	5,089,408	4,294,419
Salaries and commissions	2,037,649	1,741,838
Interest on mortgages and note payable	11,480	12,370
Other	845,146	700,068
	<u>7,983,683</u>	<u>6,748,695</u>
Income before undernoted items	951,422	440,076
Provision for decline in market value of marketable securities	23,781	17,103
	<u>927,641</u>	<u>422,973</u>
Provision for income taxes	62,748	70,000
	<u>864,893</u>	<u>352,973</u>
Minority interest share of earnings	46,054	11,782
	<u>818,839</u>	<u>341,191</u>
Share of earnings of McCaul-McGowan Insurance Agencies Limited	27,182	9,882
	<u>846,021</u>	<u>351,073</u>
<b>Net Income</b>	<u>\$ 846,021</u>	<u>\$ 351,073</u>
<b>Earnings per share</b>	\$1.93	\$ .80

## AUDITORS' REPORT

Thorne  
Riddell & Co.

### To the Shareholders of Maplex Management & Holdings Limited

We have examined the consolidated balance sheet of Maplex Management & Holdings Limited as at December 31, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles described in note 1, applied on a basis consistent with that of the preceding year.

*Thorne Riddell & Co.*

Toronto, Canada  
January 18, 1978

Chartered Accountants

# CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Maplex Management & Holdings Limited

Year Ended December 31, 1977

	1977	1976
<b>Balance at beginning of year</b>	\$1,101,535	\$ 806,168
Net Income	<u>846,021</u>	<u>351,073</u>
	<u>1,947,556</u>	<u>1,157,241</u>
Dividends paid	61,486	54,898
Tax paid on undistributed income of subsidiary company	<u>1,801</u>	<u>808</u>
	<u>63,287</u>	<u>55,706</u>
<b>Balance at end of year</b>	<u>\$1,884,269</u>	<u>\$1,101,535</u>

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1977

	1977	1976
<b>Funds derived from*</b>		
Net income	<u>\$ 846,021</u>	<u>\$ 351,073</u>
<b>Funds applied to*</b>		
Dividends paid	61,486	54,898
Tax paid on undistributed income of subsidiary company	<u>1,801</u>	<u>808</u>
	<u>63,287</u>	<u>55,706</u>
<b>Increase in net assets</b>	<u>\$ 782,734</u>	<u>\$ 295,367</u>

\*For the purpose of this statement funds have been defined as net assets of the company.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Maplex Management & Holdings Limited

Year Ended December 31, 1977

## 1. Accounting Policies

### (a) Basis of consolidation

The consolidated financial statements include the accounts of Maplex Management & Holdings Limited, its 99.6% owned subsidiary Abstainers' Insurance Company and its 100% owned subsidiary Trans-Canada Investment Corporation Limited. The excess of the cost of the shares over the assigned values of the net assets acquired has been reflected upon consolidation as goodwill. In the opinion of management no diminution of value has occurred and therefore there has been no amortization of goodwill.

The company's interest in McCaul-McGowan Insurance Agencies Limited is accounted for at cost plus share of earnings since acquisition less dividends received.

The accounts of Maplex and Trans-Canada are presented in accordance with generally accepted accounting principles.

The accounts of Abstainers' are presented in accordance with accounting principles prescribed or permitted by the Ontario Department of Insurance. However, in certain respects, as explained



below, they are not in conformity with generally accepted accounting principles.

- (i) The costs of acquiring new business are written off as expenses in the year incurred. Fifteen percent of the unearned premiums at the end of each year are included in income as an offset to the costs related to the acquisition of these premiums.
- (ii) The income tax charge against operations and the related liability are determined using the "taxes payable" method.
- (iii) Abstainers' intends to reflect the financial effect of any compliance program under the Federal Government's Anti-Inflation legislation in the financial period in which the program is implemented.

(b) Depreciation

The company is using the following rates of depreciation annually on the declining asset balances:

Building	5%	Automobiles	30%
Furniture and equipment	20%	Leasehold improvements	16 2/3%

**2. Investments**

	1977	1976
Marketable securities, at cost (quoted market value 1977, \$12,622,803; 1976, \$8,326,523)	\$12,140,420	\$8,515,589
McCaul-McGowan Insurance Agencies Limited - 100% of the outstanding common shares, at cost plus share of earnings since acquisition less dividends received	160,514	136,532
	<u>\$12,300,934</u>	<u>\$8,652,121</u>

**3. Bank Indebtedness**

The bank indebtedness is secured by Maplex's shares of Trans-Canada Investment Corporation Limited.

**4. Mortgages and Note Payable**

	1977	1976
Mortgages		
11% First mortgage, due 1979, interest payable quarterly	\$50,000	\$ 50,000
12% Second mortgage, due 1979, payable \$1,000 principal plus interest semi-annually	18,000	20,000
Promissory note, payable \$10,000 principal annually plus interest semi-annually	30,000	40,000
	<u>\$98,000</u>	<u>\$110,000</u>

**5. Anti-Inflation Legislation**

The company is subject to the Anti-Inflation Act which provides for the restraint of dividends.

The maximum dividend per share that the company can pay or declare in the twelve months ending October 13, 1978 is \$0.24.

The subsidiary company, Abstainers' Insurance Company is also subject to the Anti-Inflation Act which provides, as from April 16, 1976 for restraint of net income and compensation. In the opinion of management, the company has complied with the compensation portion of the legislation. Management estimates that approximately \$100,000 of excess revenue, as defined by the legislation, was earned to December 31, 1977. The company intends to file a compliance plan which, in the opinion of management, will eliminate such excess revenue by December 31, 1978 (see note 1(d)).

**6. Subsequent Event**

At year end, the company had incorporated and was in the process of establishing a new wholly owned insurance company. The new company will be financed as follows:

(a) Trans-Canada Investment Corporation Limited

- (i) Trans-Canada will issue \$750,000 of variable rate preferred shares having a "put" attached to Maplex for the amount of the annual sinking fund requirement as set out below plus any dividend arrears.
- (ii) Trans-Canada will subscribe for 5,000 10% preferred shares of the new company for \$750,000.

(b) Maplex Management & Holdings Limited

Maplex will subscribe for 2,500 common shares (being 100% of the issued common shares) of the new company for \$250,000. Funds for the acquisition will be provided by a bank loan secured by all of the issued common and preferred shares of the new company and all of the common shares of Trans-Canada Investment Corporation Limited and McCaul-McGowan Insurance Agencies Limited.

Sinking fund instalments are estimated as follows:	1978 to 1980 inclusive	-	\$100,000
	1981 to 1982 inclusive	-	150,000
	1983 to 1984 inclusive	-	200,000

**7. Other Statutory Information**

	Maplex	Abstainers'	Trans-Canada
Number of directors	8	10	4
Aggregate remuneration as directors	\$40,950	\$ 8,320	\$3,000
Number of officers	3	5	3
Aggregate remuneration as officers	\$12,000	\$36,400	Nil
Number of officers who are directors	3	5	3

Depreciation expense for the year amounted to \$11,636 (1976-\$14,902).

# PRESIDENT'S REPORT

to the shareholders of Maplex Management & Holdings Limited on the operation of Abstainers' Insurance Company for the year ended December 31, 1977

Abstainers' Insurance Company's premium income in 1977 increased by 14% to \$8,783,116. Nearly \$7,000,000 of this amount was written in Ontario and the balance in in the Province of Alberta. Continuing the Company's emphasis on property insurance, the number of property policies increased by 24% with a similar increase in premium income, while automobile policies increased by 5% and premium income by 10%.

The ratio of claims to earned premiums was slightly lower at 63% and the expense ratio to the earned premiums slightly higher at 36%, enabling the Company to show a moderate underwriting profit of \$58,393. Both ratios have been maintained at approximately these levels for five consecutive years.

During the year, over \$1,000,000 of new capital was added to the Company by the sale of a new 10% preferred share issue, which will greatly strengthen the Company's capacity for future expansion. These funds, along with \$2,600,000 from operations, increased the total investment portfolio from \$8,515,589 at the beginning of the year to \$12,140,420 as of December 31, 1977; thus increasing investment income by a third over 1976.

1978 will be a year of challenge which the Company faces with greater human and financial resources to ensure another satisfactory year.

*C. A. Blair*  
President & Managing Director

## Highlights of 1977

	Amount (000 omitted)	Increase over 1976
Total Premiums Written	\$8,783	14%
Total Premiums Ontario alone	7,046	14%
Total Premiums Alberta alone	1,737	15%
Total Property Premiums	1,313	24%
Total Auto Premiums	7,470	12%
Underwriting Profit	58	62%
Investment Income	816	81%
Profit Before Tax	874	90%
Provision for Income Tax	56	(20%)
Net Profit After Taxes	818	110%
Loss Ratio 63%		
Expense Ratio 36%		



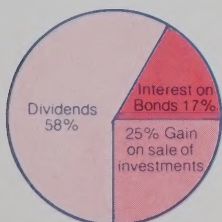
# ABSTAINERS' 10 YEAR FINANCIAL SUMMARY

(In thousands except per share amounts and percentages)

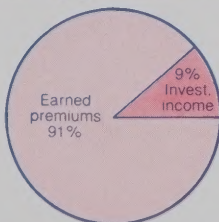
	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Gross Premiums Written	8,783	7,721	5,697	3,951	3,377	2,967	3,023	3,152	3,048	2,496
Reinsurance	422	330	245	109	197	208	152	164	180	131
Net Premiums Written	8,361	7,391	5,452	3,842	3,180	2,759	2,871	2,988	2,868	2,365
Premiums Earned	8,047	6,696	4,805	3,639	2,997	2,704	2,893	2,945	2,696	2,199
Claims & Adjusting Expenses	5,089	4,294	3,117	2,340	1,927	1,889	1,970	2,587	2,179	1,411
General Expenses	2,900	2,394	1,682	1,269	1,069	966	921	936	830	706
Underwriting Profit (Loss)	58	8	6	30	1	(150)	3	(578)	(313)	82
Investment Income	612	442	397	344	278	264	254	230	181	132
Gain on Sale of Investments	204	9	2	4	93	198	5	2	198	100
Net Profit Before Tax	874	459	405	378	372	312	257	(346)	67	314
Income Taxes	56	70	75	147	48	none	1	2	(56)	61
Net Profit	818	389	330	231	324	312	256	(348)	123	253
Preferred Dividends Paid	43	10	10	10	10	10	10	10	10	10
Common Earnings	775	379	320	221	314	302	246	(358)	113	243
- per share	\$6.12	3.08	2.53	1.75	2.48	2.38	1.94	(2.83)	.90	1.92
Common Dividends	177	50	32	32	32	32	32	32	32	22
- per share	1.40	.40	.25	.25	.25	.25	.25	.25	.25	.175
Equity per share	24.37	19.65	17.05	14.77	13.28	11.05	8.78	4.90	7.88	11.21
Industry Loss Ratio	<i>Not Available</i>	69.2%	72.7%	77.9%	72.6%	69.4%	67.5%	70.8%	73.9%	67.5%
Company Loss Ratio	63.2%	64.1%	64.8%	64.3%	64.3%	69.9%	68.1%	87.9%	80.8%	64.2%
Company Expense Ratio	36.0%	35.7%	35.0%	34.9%	35.6%	35.7%	32.0%	31.3%	28.9%	29.8%
Company Combined Ratio	99.2%	99.8%	99.8%	99.2%	99.9%	105.6%	100.1%	119.2%	109.7%	94.0%
Shares Outstanding	127	127	127	127	127	127	127	127	127	127

Shares Outstanding have been adjusted for a 2 for 1 stock split in 1968, a 50 for 1 stock split in 1966, and a rights issue in 1965.

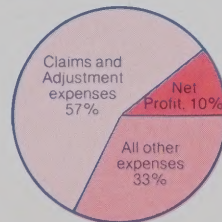
## Source and application of Income



INVESTMENT INCOME



SOURCE OF INCOME



APPLICATION OF INCOME





MAPLEX

Maplex Management & Holdings Limited

Suite 507, 60 St. Clair Avenue East, Toronto, Ontario. M4T 1N5